



The Hilltop Institute

SHOP Meeting Notes 9/12/2011

The committee is charged with vetting options for four key issues:

- How employers offer plans to employees using new proposed rules (released July 11, 2011) Whether the existing small-group and individual markets should merge
- Whether the exchange should be made available in 2014 to the expanded small group market (employers with 50-100 employees) or whether it should be available in 2016
- Whether infrastructure exists currently to support the exchange or if new infrastructure needs to be developed

The committee may also consider other questions that arise related to small group market

The study vendor for the SHOP needs assessment is the Institute for Health Policy Solutions (IHPS). IHPS is developing a work plan and ultimately recommendations for each of the four topics discussed above. The final drafts of these papers are due November 15th; the last committee meeting will be in November.

Small Group Market Overview:

The Health Insurance Reform Act of 1993 defined a small group as those companies with 2 – 50 employees. It directs that participating employers must offer a Comprehensive Standard Benefits Plan; these benefits are determined by MHCC. They are reviewed by MIA to insure compliance. There are several provisions that can be included in the plans; benefits are specified in Maryland regulations (COMAR 31.11.06).

Small Group Trends:

45,000 small businesses have coverage in this market (about 35% of the total small businesses in Maryland. There have been 3 consecutive years of enrollment decline; most policies are HMO's but there is a shift to increasingly high deductible plans coupled with HSA. There are currently 8 carriers in the market and average premiums have seen double digit increases in cost annually.

More costs are consistently being transferred to the employees. There is a program call the Health Insurance Partnership that is an incentive program for companies with 2 to 9 employees with about 350 participating companies and 4 participating carriers.

Some of the concerns expressed by the committee included language and comprehension concerns because this population of patients often do not speak English as their first language. Even among individuals who speak fluent English, there is very low health literacy; as a result employees do not understand the need for health insurance.

Presentation of Work Plan (IHPS)

The work plan presents three goals: employee choice or employer choice model; the merging of the individual and small group markets; and the expansion of the 50-100 market in 2014 rather than 2016. The State wants to understand what infrastructure currently exists and what is needed in order to perform SHOP activities in Maryland. The employee choice model has not been successful in California or Massachusetts because the employers have to track plan changes which leads to payroll and compliance issues. Currently employers may offer employee choice or not; federal regulations (PCACA) dictate that SHOP must permit employers to offer employee choice if they so desire.

Some of the committee suggestions included limiting plan changes to once a year and preventing employees from switching between levels of coverage based on their current health status. Some questions raised by the committee were whether SHOP only includes fulltime employees and if it includes those businesses with a sole proprietor and one employee. In answer, the committee was informed by IHPS that the state is charged with making specific policy determinations beyond the federal minimum requirements

Concerns about merging the markets included the cost shifting involved due diversity in workforce composition between businesses(ie: for some businesses with relatively low average employee age, plans currently cost less, but when merged with the larger market, these cost savings would no longer apply.) The PCACA does provide risk adjustment, reinsurance, and other cost-mitigating tools for the period from 2012 to 2021 to stabilize the transitional market. , Ultimately a merged market benefits employers by consolidating risk pools of unhealthy individuals with healthy individuals to spread the costs evenly. However, there is concern that the small group market would be more expensive than self-insured plans.

As these activities are setting precedent for the Maryland insurance market, the committee will continue to discuss these issues in more detail in future meetings. In closing, the co-chairs reminded the committee they are not to make recommendations but to offer options. The committee should discuss various ideas and report whether consensus was reached or not. The committee was also reminded that health policy is usually evolutionary. The purpose of is the PCACA is to eliminate or substantially reduce the number of uninsured individuals in the US and a merged marketplace helps to advance this goal.